

Message Text

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TO USLO PEKING PRIORITY
INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD, CH, US

SUBJECT: PRC FOREIGN TRADE ARBITRATION COMMISSION

1. THE PLAINS COTTON COOPERATIVE ASSOCIATION IS CURRENTLY HOLDING DISCUSSIONS IN PEKING WITH CHINATEX OVER SOME PENALTY CHARGES THAT THE ASSOCIATION CLAIMS ARE DUE IT. THE ASSOCIATION IS DISSATISFIED WITH THE PROGRESS OF THE TALKS AND IS CONSIDERING ARBITRATION. THE ARBITRATION ORGANIZATION SPECIFIED IN THE CONTRACT IS THE FOREIGN TRADE ARBITRATION COMMISSION OF THE CCPIT.

2. THE ASSOCIATION WOULD APPRECIATE ANY INFORMATION USLO MIGHT HAVE ON THE COMMISSION AS WELL AS ANY INFORMATION USLO MIGHT BE ABLE TO OBTAIN FROM EMBASSIES IN PEKING ON THE EXPERIENCE OF OTHER COUNTRIES WITH ARBITRATION BY THE COMMISSION. SPECIFICALLY, HOW DO OTHER COUNTRIES VIEW THE FAIRNESS AND THE OBJECTIVITY OF THE COMMISSION?

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3. THE ASSOCIATION WANTS TO MAKE A DECISION ON ARBITRATION BY FRIDAY, FEBRUARY 20 (PEKING TIME). WE TOLD DAN DAVIS, GENERAL MANAGER OF THE ASSOCIATION, THAT USLO MAY NOT BE ABLE TO GIVE A FULL REPORT BY THEN. HE UNDERSTOOD THIS, BUT SAID THAT ANY INFORMATION USLO COULD

SUPPLY WOULD BE APPRECIATED.

4. FYI. THE DISPUTE WITH CHINATEX INVOLVES SOME \$2.5 MILLION IN PENALTY CHARGES FOR INTEREST AND STORAGE EXPENSES THE ASSOCIATION INCURRED FOLLOWING LENGTHY DELAYS ON THE PART OF THE CHINESE IN OPENING LETTERS OF CREDIT AND MAKING SHIPS AVAILABLE FOR THE DELIVERY OF \$43 MILLION WORTH OF COTTON IN 1974. THE CONTRACT STIPULATES A PENALTY OF FIVE-EIGHTHS OF ONE PERCENT PER MONTH FOR SUCH EXPENSES.

5. THE COTTON WAS ORIGINALLY GOING TO BE SHIPPED IN JANUARY AND FEBRUARY 1974. THE ASSOCIATION NOTIFIED CHINATEX THAT DUE TO SHIPPING PROBLEMS IN THE US, THE COTTON WOULD BE SHIPPED BETWEEN FEBRUARY AND JUNE OF 1974. BECAUSE OF THE DELAY IN SHIPMENT, THE CHINESE HAD AN OPTION TO CANCEL THE CONTRACT BUT CHOSE NOT TO DO SO AND DELIVERIES BEGAN IN FEBRUARY. BY LATE SPRING, HOWEVER, THE CHINESE BEGAN TO DELAY IN OPENING LETTERS OF CREDIT AND PROVIDING SHIPS. SHIPMENTS CAME TO A HALT AND DID NOT RESUME UNTIL 1975. THEY WERE FINALLY COMPLETED IN OCTOBER 1975. THE DELAY OF MORE THAN A YEAR IN DELIVERIES WAS COSTLY TO THE ASSOCIATION--THE PENALTY PAYMENTS STIPULATED IN THE CONTRACT WILL COVER ONLY ABOUT TWO-THIRDS OF THE COST. WE UNDERSTAND THAT HENRY PATTON, SALES MANAGER OF THE ASSOCIATION, HAS DISCUSSED THE PROBLEM PREVIOUSLY WITH USLO. END FYI. INGERSOLL

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